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Washington, DC  
103UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549ANNUAL AUDITED REPORT  
FORM X-17A-F5  
PART III

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## FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 ThereunderREPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: UBS Fund Services (USA) LLC

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

242 Trumbull Street

(No. and Street)

Hartford

(City)

Connecticut

(State)

06103

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Trevor Chambers

312-525-7728

(Area Code - Telephone Number)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Ernst &amp; Young LLP

((Name - if individual, state last, first, middle name))

233 S. Wacker Drive, Sears Tower

(Address)

Chicago

(City)

Illinois

(State)

60606

(Zip Code)

## CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions

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FINANCIAL

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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

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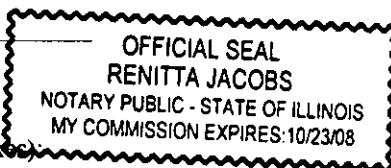
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## OATH OR AFFIRMATION

I, Trevor Chambers, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of UBS Fund Services (USA) LLC, as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director had any proprietary interest in any account classified solely as that of a customer.

Trevor Chambers  
Trevor Chambers  
Controller

Renitta Jacobs  
Notary Public



This report contains (check all applicable boxes):

- ☒ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Operations.
- ☒ (d) Statement of Cash Flows.
- ☒ (e) Statement of Changes in Members' Capital.
- ☐ (f) Statement of Changes in Subordinated Borrowings.
- ☒ (g) Computation of Net Capital.
- ☒ (h) Statement Regarding Rule 15c3-3.
- ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Supplementary Report of Independent Registered Public Accounting Firm on Internal Control.

# UBS Fund Services (USA) LLC

## Financial Statements and Supplemental Information

Year Ended December 31, 2007

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## Report of Independent Registered Public Accounting Firm

The Members  
UBS Fund Services (USA) LLC

We have audited the accompanying statement of financial condition of UBS Fund Services (USA) LLC (the Company) as of December 31, 2007, and the related statements of operations, changes in members' capital, and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of the Company's internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of UBS Fund Services (USA) LLC at December 31, 2007, and the results of its operations and its cash flows for the year then ended, in conformity with U.S. generally accepted accounting principles.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental information is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Ernst + Young LLP*

Chicago, Illinois  
February 21, 2008

UBS Fund Services (USA) LLC

Statement of Financial Condition

December 31, 2007

**Assets**

Cash and cash equivalents	\$ 201,329
Prepaid expenses	32,403
FINRA deposits	<u>1,838</u>
Total assets	<u>\$ 235,570</u>

**Liabilities and members' capital**

Liabilities:

Accrued expenses	\$ 20,680
Due to affiliate	<u>—</u>
Total liabilities	20,680
Members' capital	<u>214,890</u>
Total liabilities and members' capital	<u>\$ 235,570</u>

*See accompanying notes.*

# UBS Fund Services (USA) LLC

## Statement of Operations

Year Ended December 31, 2007

### Revenues

Service fee income – URI	\$ 96,000
Allocated registered representatives revenue – URI	82,528
Other income	35,000
Interest income	<u>1,381</u>
Total revenue	214,909

### Expenses

Allocated registered representatives costs – URI	82,528
Registration fees	50,240
Professional fees	19,978
General and administrative expenses	<u>773</u>
Total expenses	<u>153,519</u>
Net income	<u><u>\$ 61,390</u></u>

*See accompanying notes.*

# UBS Fund Services (USA) LLC

## Statement of Changes in Members' Capital

Year Ended December 31, 2007

	<u>Member's Capital – URI</u>	<u>Member's Capital – ACQ</u>	<u>Total</u>
Balance at December 31, 2006	\$ 177,704	\$ 1,795	\$ 179,499
Net income	60,776	614	61,390
Dividend	(25,739)	(260)	(25,999)
Balance at December 31, 2007	<u>\$ 212,741</u>	<u>\$ 2,149</u>	<u>\$ 214,890</u>

*See accompanying notes.*

# UBS Fund Services (USA) LLC

## Statement of Cash Flows

Year Ended December 31, 2007

### Operating activities

Net income	\$ 61,390
Adjustments to reconcile net income to net cash provided by operating activities:	
Increase (decrease) in operating assets and liabilities:	
FINRA deposits	1,763
Prepaid expenses	(645)
Accrued expenses	20,665
Due to affiliates	(14,925)
Net cash provided by operating activities	<u>68,248</u>

### Financing activities

Dividends paid	<u>(25,999)</u>
Increase in cash and cash equivalents	42,249
Cash and cash equivalents at beginning of year	159,080
Cash and cash equivalents at end of year	<u>\$ 201,329</u>

*See accompanying notes.*



# UBS Fund Services (USA) LLC

## Notes to Financial Statements

Year Ended December 31, 2007

### 1. Organization and Nature of the Business

UBS Fund Services (USA) LLC (the Company) was organized as a Delaware limited liability company and is primarily engaged in the distribution of private investment offerings to institutional investors. The Company is a broker-dealer registered under the Securities and Exchange Act of 1934 and is a member of the Financial Industry Regulatory Authority (FINRA).

UBS Realty Investors LLC (URI), a Massachusetts limited liability company, holds a 99% member interest in the Company. ARI Acquisition Corporation (ACQ), a Massachusetts corporation, holds the remaining 1% member interest. Net income is allocated to the members pro rata based on their percentage interest in the Company. URI and ACQ are both indirect, wholly owned subsidiaries of UBS AG. The Company has transactions and relationships with URI that materially impact its operating results and financial position (see Note 3).

### 2. Summary of Significant Accounting Policies

#### Cash and Cash Equivalents

The Company considers all highly liquid instruments, purchased with a maturity of three months or less, including an overnight interest-bearing deposit account, to be cash and cash equivalents. All interest-bearing deposits are held with an affiliate of the Company.

#### Revenue Recognition

Service fee income is recognized as revenue when services are performed.

#### Other Income

Other income reflects a one-time payment of \$35,000 from FINRA.

#### Income Taxes

The Company is taxed as a partnership for federal and state income tax purposes. As such, the Company is not subject to federal or state income taxes. Each member of the Company is required to report on its federal and state income tax returns its distributive share of the Company's income, gains, losses, deductions, and credits.

## UBS Fund Services (USA) LLC

### Notes to Financial Statements (continued)

#### 2. Summary of Significant Accounting Policies (continued)

##### Use of Estimates

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

#### 3. Related-Party Transactions

Effective October 1, 1996, the Company entered into a Services Agreement (the Agreement) with URI to provide certain administrative, operating, and other support services to URI as needed for the distribution of private investment offerings to institutional investors for a fixed fee. All service fees included in the accompanying statement of operations were earned from URI under the Agreement.

In addition, the registered representatives of the Company (Representatives) are supervised persons of URI. Although the primary business activities of such individuals relate to the investment advisory activities of URI, URI and the Company have agreed that certain costs associated with these Representatives will be allocated to the Company. URI has also agreed to allocate revenues to the Company in an amount equal to these costs. The costs include facilities and other occupancy and information technology expenses, salary and employee benefit expenses, and other general and administrative expenses.

#### 4. Net Capital Requirements

The Company is a limited broker-dealer pursuant to Securities and Exchange Commission (SEC) Rule 15c3-1(a)(2)(vi). This rule requires the maintenance of minimum net capital of the greater of \$5,000 or 6 2/3% of aggregate indebtedness, as defined in the rule. Net capital totaled \$180,649 at December 31, 2007, which was \$175,649 in excess of required net capital. Dividend payments, equity withdrawals, and advances are subject to certain notification and other provisions of the net capital rules of the SEC and other regulatory bodies.

## Supplemental Information

# UBS Fund Services (USA) LLC

## Computation of Net Capital

December 31, 2007

Members' capital	\$ 214,890
Less nonallowable assets	<u>(34,241)</u>
Net capital	<u>\$ 180,649</u>
 Aggregate indebtedness	 <u>\$ 20,680</u>
 Net capital requirement (greater of \$5,000 or 6 2/3% of aggregate indebtedness of \$20,680)	 <u>\$ 5,000</u>
Excess net capital	<u>\$ 175,649</u>

There are no material differences between the amounts presented above and the amounts presented in the Company's December 31, 2007, unaudited FOCUS Part IIA filing.

# UBS Fund Services (USA) LLC

## Detail of Nonallowable Assets

December 31, 2007

Nonallowable assets:

Prepaid expenses	\$ 32,403
NASD deposit	<u>1,838</u>
Total	<u>\$ 34,241</u>

UBS Fund Services (USA) LLC  
Statement Regarding Rule 15c3-3

December 31, 2007

The activities of the Company are limited to those prescribed in subparagraph (k) of the Securities Exchange Act of 1934 rule 15c3-3, which provides exemption from such rule.

## Supplementary Report of Independent Registered Public Accounting Firm on Internal Control Required by SEC Rule 17a-5(g)(1)

The Members  
UBS Fund Services (USA) LLC

In planning and performing our audit of the financial statements of UBS Fund Services (USA) LLC (the Company) as of and for the year ended December 31, 2007, in accordance with auditing standards generally accepted in the United States, we considered its internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by rule 17a-5(g)(1) of the Securities and Exchange Commission (the SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. The study included tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregate debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons and recordation of differences required by rule 17a-13
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures, as described in the second paragraph of this report, were adequate at December 31, 2007, to meet the SEC's objectives.

This report is intended solely for the information and use of the members, management, the SEC, FINRA, and other regulatory agencies that rely on rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

*Ernest J. Gay*

Chicago, Illinois  
February 21, 2008

**END**